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RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0417  
RUEHAK/AMEMBASSY ANKARA PRIORITY 4176  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1988  
RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0212  
RUEHKO/AMEMBASSY TOKYO PRIORITY 1853  
RUEHIT/AMCONSUL ISTANBUL PRIORITY 2424  
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RUEAIIA/CIA WASHDC PRIORITY  
RHEFDIA/DIA WASHDC PRIORITY  
RUEKJCS/JOINT STAFF WASHDC PRIORITY  
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RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001083

SIPDIS

STATE FOR SCA/CEN, EEB, DRL  
TREASURY FOR BAKER/LANIER  
ENERGY FOR EKIMOFF/THOMPSON  
COMMERCE FOR HUEPER/STARKS

E.O. 12958: DECL: 08/19/2018  
TAGS: [PREL](#) [PGOV](#) [ECON](#) [EPET](#) [ELAB](#) [TX](#)  
SUBJECT: TURKMENISTAN: EQUAL PAY COMMENTS CREATING NEW  
PROBLEMS FOR FOREIGN HYDROCARBON SECTOR FIRMS

REF: ASHGABAT 0763

Classified By: Charge d'Affaires Sylvia Reed Curran for reasons 1.4(B)  
and (D).

¶1. (C) SUMMARY: Foreign oil firms and hydrocarbon service companies are reporting that Turkmenistan's hydrocarbon officials are pressuring them to begin paying their local employees the same wages as they pay their expatriate workers. This echoes similar calls that President Berdimuhamedov has been making recently, although the president has explicitly linked his calls to the construction sector. Most here believe that this pressure is a direct result of the Burren/ENI strike, since Burren's calling in the police brought the issue of low wages in the hydrocarbon sector to the president's attention. For now, companies are refusing to bow to the pressure. Most believe that the government, recognizing that it has little to gain by enforcing a requirement that most foreign companies would find uncompetitive, won't push until or unless there are new labor disturbances. END SUMMARY.

PRESIDENT CALLS FOR EQUAL WAGES FOR EQUAL WORK

¶2. (U) Several months ago, during a February cabinet meeting, Turkmenistan's President Gurbanguly Berdimuhamedov stated that foreign companies working in Turkmenistan should pay their Turkmen employees the same wages they pay their foreign employees. He again reiterated this statement during the first meeting of the Constitutional Commission on May 22. However, that time he linked the comment specifically to the construction sector. The president seems to have been motivated, in part, by news that Turkmen employees of French construction company Bouygues were leaving their jobs because they were being paid so little that they could not easily absorb the 40% loss in their dollar-wage purchasing power when the government set out to unify the dual currency exchange rate. (NOTE: For example, locally hired

construction workers from Dashoguz without papers to work in Ashgabat are paid the least -- \$150 per month. While workers with work permits to work in Ashgabat are paid more, their wages are still extremely low. END NOTE.) However, the president never issued a decree mandating equal wages for equal work, nor does the draft constitution contain any language to this effect. Nevertheless, Article 34 of the draft constitution does state that "persons working for wages have the right to compensation that corresponds to the quantity and quality of (their) work."

#### HYDROCARBON SECTOR OFFICIALS FOLLOW UP

13. (C) Over the past few weeks, however, several foreign companies working directly or indirectly in Turkmenistan's hydrocarbon sector have noted to us that some employees are seeking to demand equal wages, and -- even more troubling -- some Turkmenistan officials are beginning to push an "equal wages" policy. Bertling Logistics, GAC Marine, Buried Hill and Wintershall have all reported coming under pressure to implement this new policy.

#### THE IMPETUS -- THE BURREN/ENI STRIKE

14. (C) Country managers from German oil company Wintershall and Canadian oil company Buried Hill have linked the new demands in the hydrocarbon sector back to the Burren/ENI strike (reftel). According to both individuals, Burren/ENI and Malaysian oil company Petronas pay the lowest wages in the industry. The Buried Hill manager, a Turkmen citizen,

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claimed that hydrocarbon authorities and Turkmenistan's security agencies were not pleased that Burren/ENI called in the police -- essentially putting the government in the middle of a labor issue -- before trying to work out its wage dispute with its workers directly. This put upper-level officials in a tough position, since they had to admit to the president that some oil workers employed by foreign companies are not paid the good wages that everybody believed they receive. Not wanting to be found at fault a second time, hydrocarbon sector officials are cracking down on low wages.

#### FOREIGN FIRMS CALL FOUL...

15. (C) Company representatives say that this would make operating in Turkmenistan extremely expensive -- and competing with local Turkmen firms impossible, especially when combined with the Government of Turkmenistan's 30/70 (percent of foreign versus local employees) requirement. Many Turkmen workers in the hydrocarbon and hydrocarbon support sectors come to their jobs with deficient skills, forcing the companies to bring in foreign workers to keep operations functioning smoothly and safely. However, for every three foreign workers that a company has, it must also have seven Turkmen employees on its rolls. Paying those Turkmen workers world-standard salaries when they have sub-standard skills simply is not worth it, company representatives claim. Moreover, the equal-wages requirement does not take into account the generous benefits packages that most foreign companies offer their workers, in sharp contrast to what local firms offer up.

#### ...AND REFUSE TO COMPLY

16. (C) So far, we have heard, companies are refusing to bend to the pressure from their employees and officials to increase wages. Most firms that we talked to -- Buried Hill, Wintershall, Bertling and GAC Marine -- claim that the wages they pay are still well above what their employees would get for doing similar work for Turkmen entities. GAC Marine's manager said that he has told local employees that if he were required to pay higher wages, he would have to lay off local staff. Few workers have been willing to challenge such an argument.

OFFICIALS UNWILLING TO PUSH THE POINT

17. (C) Bertling Logistics has refused to accept the requirement -- and, so far, government officials have not pushed the issue. GAC, meanwhile, has revamped its wage structure to reflect levels of experience, as well as overall responsibilities. Buried Hill believes that officials will not press them, unless there is a further demonstration that companies are pushing their Turkmen workers to the limits.

18. (C) COMMENT: Even the most nationalist official would have to admit that, given Turkmenistan's still relatively low (if rising) cost of living, there is little reason other than pride to enforce a requirement that foreign firms are bound to resist and that could negatively affect the country's efforts to attract foreign investment. What this does do, however, is put foreign firms on notice that the government will not tolerate wages that are so low that they create additional labor disturbances. And, while most local employees are very happy to push for higher wages that would help to return their purchasing power back to earlier levels, most also recognize that for those working in unskilled and semi-skilled positions, there remains a ready force of workers willing to replace them. For these individuals -- if

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not for skilled workers -- any job is better than none at all in Turkmenistan's high-unemployment environment. END COMMENT.  
CURRAN